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DIRECTORS AND ADVISERS

Directors	M.R. Breen A.P. Cunningham
Non-Executive Director	N.J.L. Welch
Joint Company Secretaries	A.P. Cunningham D.J.T. MacDonald
Registered Office	40, Queen Anne Street, London, W1G 9EL
Auditors	PricewaterhouseCoopers LLP, 1 Embankment Place, London, WC2N 6RH
Transfer Office	60, Webbs Road, London, SW11 6SE
Registered in England	Number 2793529



CHAIRMAN'S STATEMENT

Dear Shareholder

Please find enclosed the Directors' Report and Audited Financial Statements for the year ended 31 March 2004 and the Notice of the Annual General Meeting to be held on 16 September 2004.

The key points in this year's report and accounts are:

- Net asset value ("NAV") per share £1.85 (2003: £1.72)
- Net assets have increased to £6.47m from £6.06m (adjusted for the 2003 buy back)
- Pre-tax gains £382,000 (2003: £728,000)

I am glad to report continued growth in the net asset value of the company, generated by growth in the values of the investment properties, though owing to delays in the realisation of the planned sales of certain investments we are reporting a small loss before tax.

Our residential properties in London that have been valued by our external valuers show increases of between 7% and 14% over last year's values, though the rate of growth in some parts of this portfolio has fallen off from that achieved last year.

The considerable growth in the value of our portfolio of houses at Biggin Hill represents a large proportion of the total unrealised revaluation gain for the year. We have now contracted to sell the substantial majority of this site, and so should convert the cumulative rise in value of this portfolio into realised profits during the current year.

Other notable revaluation gains were recorded at the industrial units in Norwich, benefitting to a small additional amount from inclusion as a "Disadvantaged Area for Stamp Duty" purposes, and the Elizabeth Hotel, in Victoria, London, where successful recent trading has been reflected in a valuation uplift.

We completed during the year the sale of all the remaining residential units at Harlequin Court, in Covent Garden, London, at keen prices. This has been a very successful development for the company. APP has retained for rental income three commercial units at ground floor level, together with the entitlement to ground rents from the residential units. This investment has seen a satisfying rise in value over the year.

In addition we sold our investment property at 131 Ebury Street, London, a five bedroom house converted from a former run down hotel, where we felt that the sale price represented a better return than that which could be obtained from letting the house.

Rental income grew well over the year, reflecting an increasing contribution from the Argyll business centres, though the results for the year do reflect the costs of closure of the centre in St James Square, to which I referred in the interim report to shareholders. Subsequent to the year end we have sold our interests in the business centres, at a profit, in response to an offer from a leading operator in that sector.

Residential rentals have been under slight downward pressure though this was to some extent compensated for by stable occupancy among our tenants. The agencies faced lower volumes of transactions within their sectors of the London market, but are currently reporting very encouraging pipelines.

As we have been carrying out a substantial refurbishment during the year on the Cranley hotel, it was able to make only a reduced contribution, and the Royal Park hotel, having only recently opened its doors, has, as expected, incurred start-up losses. I am confident that both these hotels are now in a position to offer good returns both to Artesian shareholders and to the hotels' customers, which have included many of those Artesian shareholders!

CHAIRMAN'S STATEMENT

(continued)

Last summer we received offers to sell 257,775 shares and applications to purchase 68,050 shares. With all the applications to purchase satisfied in full, the balance of the shares offered for sale were purchased by Artesian Buy Back 2003 Limited. Pursuant to the resolution passed at the EGM on 28 March 2004 the company purchased 189,725 shares from Artesian Buy Back 2003 Limited which were then cancelled.

As I reported in the interim report, shareholders voted last autumn by a very large majority to continue the activities of the company for a further three years, to continue to offer an annual buy back of shares and not to pay dividends. Similar decisions were taken by the shareholders of two other Artesian companies, Artesian Select and Artesian Select II.

Once again shareholders will have the opportunity to offer their shares for sale at a discount of 15% to the audited NAV per share. Shareholders who wish to buy further shares will also have the opportunity to acquire shares at the discounted price (plus approximately 1% to cover broker's commission and stamp duty). Application forms and a letter setting out details of this arrangement are enclosed with this report. **If you do not wish to sell all or part of your shareholding or do not wish to apply to purchase further shares you do not need to take any action in response to that letter.**

Shareholders intending to offer to buy or sell shares should read the accompanying letter, the offer to sell and application to purchase most carefully. Whilst the directors will endeavour to answer any questions shareholders might have regarding the company or the procedures to be followed, we are unable to advise shareholders as to the action they should take and for such advice shareholders should therefore refer to their own professional or financial advisers.

It has been frustrating that the company has incurred a small loss; this position would have been reversed had the sales at Biggin Hill and of the business centre interests been achieved before the year end. Clearly, as both these transactions have now been completed, the prospects for realised profits in the current year to March 2005 are very encouraging.

We continue to seek both income generating opportunities and deals capable of producing development or trading profits. Whilst the market remains very competitive, we are confident that our pipeline of potential transactions, in both the residential and commercial sectors, offers a firm foundation for future profits.

MARK BREEN
Chairman
14 July 2004



60, Webbs Road,
London, SW11 6SE

REPORT OF THE DIRECTORS

The directors submit their report and the audited financial statements for the year ended 31 March 2004.

PRINCIPAL ACTIVITIES

The company carries out a wide range of property related activities, including investment, development and trading, and estate agency.

RESULTS FOR THE YEAR

The loss for the year before taxation was £66,174 (2003: profit of £522,948) from which has been deducted a tax recovery of £32,552 (2003: charge of £134,088) to give a loss for the year on ordinary activities after taxation of £33,622 (2003: profit of £388,860). The revaluation surplus on investment properties before taxation was £448,726 (2003: £205,179). The total recognised gains were £415,104 (2003: £593,239).

In order to share opportunities and financial resource, especially where the scale of investment is significant, the company, with effect from 1 April 1998, became a partner in the Artesian Property Partnership ("APP"), which then had as its partners seven Artesian former Business Expansion Scheme companies. A further two Artesian former Enterprise Investment Scheme companies, Artesian Developments plc and Artesian Developments II plc, joined APP with effect from 1 April 2001. The results reflect the company's 15.76% (2003:15.56%) share of the results of APP. The basis of preparation of the financial statements is set out in note 1, and financial information relating to APP is set out in note 2.

A review of the development of the business of the company during the year and its year end financial position is contained in the chairman's statement.

POST BALANCE SHEET EVENTS

After the year-end, APP has disposed of, at a profit, its property interests and assets related to business centres and the substantial majority of its investment property at Biggin Hill. These disposals have enabled very substantial repayments of short-term borrowings to be made.

BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The directors have concluded that, in accordance with Financial Reporting Standard 9 "Associates, joint ventures and other joint arrangements", the company's share of APP should be reported as a "joint arrangement". This requires the company to report in its own financial statements its share of the profit and loss account, balance sheet and cash flows of APP. Financial statements of APP have been prepared and audited at 31 March 2004, from which the profit and loss account and balance sheet are set out in note 2.

The share of APP's consolidated results that has been recognised by the company is 15.76% (2003: 15.56%) That share is calculated by reference to the net asset values of all the partners of APP at 1 April 2003, reduced by the costs to the company of the 2003 buy back of its shares and the costs borne directly by the company. The share attributable to the company in the future may vary in line with any fluctuation in the proportion of entitlement that the company may undergo following future amounts returned to shareholders in the company and to the other partners.

FIXED ASSETS

The movements in fixed assets are shown in notes 8 to 11 to the financial statements. Investment properties, excluding assets in the course of construction, are included at their market value.

The Royal Park hotel, following its opening, was reclassified as an investment property from an asset in the course of construction, while the Cranley hotel, which was being refurbished, has been reclassified as an asset in the course of construction.

REPORT OF THE DIRECTORS

(continued)

CHARITABLE DONATIONS

During the year the company made charitable donations of £614 (2003: £240).

DIRECTORS AND THEIR INTERESTS

The directors during the year and their interests in the shares of the company were as follows:-

	No. of 50p shares as at 31.3.2004 and 31.3.2003	
	Ordinary shares	Founders' shares
M.R. Breen	8,002	25
A.P. Cunningham	2	15
N.J.L. Welch	—	—

M.R. Breen retires as director by rotation but being eligible offers himself for re-election as a director of the company.

DIRECTORS' RESPONSIBILITIES

The directors are required by U.K. company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 2004. The directors also confirm that applicable accounting standards have been followed, and that the statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

PURCHASE OF OWN SHARES

During the year, the company purchased for cancellation 189,725 of its ordinary shares of 50p each, which represented 5.15% of the called up share capital. The purchase price was £1.48 per share, and the total consideration together with costs was £281,622. The purchase was made following approval from the shareholders.

This year, subject to shareholders' approval, the company is proposing to subscribe up to £493,000 in ordinary shares in Artesian Buy Back 2004 Limited which may purchase shares in the company. No provision has been made in the financial statements for these amounts.

REPORT OF THE DIRECTORS

(continued)

CREDITOR PAYMENT POLICY

While no formal code is adopted, the company's current policy concerning the payment of its trade creditors is, where possible, to settle the terms of payment when agreeing the terms of each transaction, ensure that suppliers are aware of the terms of payment, and pay in accordance with its contractual and other obligations. The company's average creditor payment period at 31 March 2004 was 17 days (2003: 4 days).

AUDITORS

The term of office of the auditors, PricewaterhouseCoopers LLP, will expire at the forthcoming Annual General Meeting, and a resolution to re-appoint them as auditors of the company will be proposed at the next Annual General Meeting.

By order of the Board



D.J.T. MacDonald
Joint Company Secretary
14 July 2004
40, Queen Anne Street,
London, W1G 9EL

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF ARTESIAN DEVELOPER plc

We have audited the financial statements which comprise the profit and loss account, the statement of total recognised gains and losses, the note of historical cost profits and losses, the balance sheet, the cashflow statement and the related notes.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the directors' report and Chairman's statement.

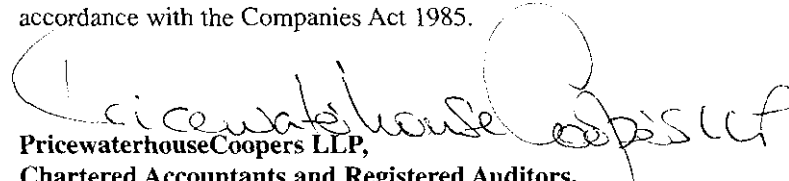
BASIS OF AUDIT OPINION

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

OPINION

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 March 2004 and of its loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP,
Chartered Accountants and Registered Auditors,
London.
14 July 2004

PROFIT AND LOSS ACCOUNT
 FOR THE YEAR ENDED 31 MARCH 2004

	Note	2004 £	2003 £
Turnover: continuing operations	1 and 2	2,455,216	5,375,515
Cost of sales		(1,330,222)	(3,716,446)
Gross profit		<u>1,124,994</u>	<u>1,659,069</u>
Net operating expenses		(979,112)	(1,090,925)
Operating profit: continuing operations		<u>145,882</u>	<u>568,144</u>
Profit on sale of investments		31,768	36,424
Investment income	3	20,058	38,057
Interest payable and similar charges	4	(263,882)	(119,677)
(Loss)/profit on ordinary activities before taxation	5	<u>(66,174)</u>	<u>522,948</u>
Tax on (loss)/profit on ordinary activities	7	32,552	(134,088)
Retained (loss)/profit	19	<u><u>(33,622)</u></u>	<u><u>388,860</u></u>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2004

	Note	2004 £	2003 £
Retained (loss)/profit for the financial year		(33,622)	388,060
Other recognised gains during the year:			
Unrealised surplus on revaluation of investment properties	10	448,726	205,179
Total recognised gains relating to the year		<u>415,104</u>	<u>593,239</u>

NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 31 MARCH 2004

	Note	2004 £	2003 £
Reported (loss)/profit on ordinary activities before taxation		(66,174)	522,948
Realisation of surplus on revaluation of investment properties		–	17,325
Historical cost (loss)/profit on ordinary activities before taxation		<u>(66,174)</u>	<u>540,273</u>
Historical cost (loss)/profit for the year retained after taxation		<u>(33,622)</u>	<u>406,185</u>

BALANCE SHEET

AT 31 MARCH 2004

	Note	2004 £	2003 £
FIXED ASSETS			
Intangible assets	8	518,034	544,036
Tangible assets	9	671,289	631,157
Investment property	10	10,275,727	9,362,069
Investments	11	27,423	2,354
		<u>11,492,473</u>	<u>10,539,616</u>
CURRENT ASSETS			
Stock property	12	41,669	695,804
Debtors	13	554,154	588,357
Cash	22	107,752	82,037
		<u>703,575</u>	<u>1,366,198</u>
CREDITORS: amounts falling due within one year	14	(5,070,352)	(3,557,500)
NET CURRENT LIABILITIES		<u>(4,366,777)</u>	<u>(2,191,302)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		7,125,696	8,348,314
CREDITORS: amounts falling due after more than one year	15	(519,939)	(1,866,532)
PROVISIONS FOR LIABILITIES AND CHARGES	16	(130,893)	(140,400)
NET ASSETS		<u>6,474,864</u>	<u>6,341,382</u>
CAPITAL AND RESERVES			
Called up share capital	17	1,748,886	1,843,749
Share premium account	18	1,510,867	1,592,821
Capital redemption reserve	18	1,509,254	1,332,437
Revaluation reserve	18	1,207,500	749,145
Profit and loss account	18	498,357	823,230
TOTAL EQUITY SHAREHOLDERS' FUNDS	19	<u>6,474,864</u>	<u>6,341,382</u>

The financial statements on pages 8 to 29 were approved by the board of directors on 14 July 2004 and were signed on its behalf by:-

M. R. Breen
Director



CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 MARCH 2004

	Note	2004 £	2004 £	2003 £	2003 £
OPERATING ACTIVITIES					
Net cash flow from operating activities	20		1,020,715		3,455,380
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE					
Interest received		20,058		38,057	
Interest paid		(163,949)		(162,066)	
		<hr/>		<hr/>	
Net cash flow from returns on investments and servicing of finance			(143,891)		(124,009)
TAXATION					
Corporation tax paid			(80,937)		(16,275)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT					
Purchase of fixed asset investments	11	(325,039)		(552,000)	
Disposal of fixed asset investments		300,000		552,000	
Purchase of investment property		(553,425)		(1,217,333)	
Disposal of investment property		258,391		95,224	
Purchase of tangible assets	9	(233,702)		(371,079)	
Disposal of tangible assets		2,964		1,248	
Disposal of current asset investments		—		802,446	
		<hr/>		<hr/>	
Net cash flow from capital expenditure and financial investment			(550,811)		(689,494)
INCREASE/(DECREASE) IN CASH BEFORE FINANCING					
			245,076		2,625,602
FINANCING					
Purchase of own shares		(281,622)		(418,743)	
Increase/(decrease) in debt due within one year		131,009		(1,657,350)	
Decrease in debt due after one year		(69,802)		(619,344)	
		<hr/>		<hr/>	
Net cash flow from financing			(220,415)		(2,695,437)
INCREASE/(DECREASE) IN CASH					
	22		24,661		(69,835)
			<hr/> <hr/>		<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004**1 PRINCIPAL ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. However, compliance with SSAP 19 "Accounting for investment properties (revised)" requires departure from the requirements of the Companies Act 1985 relating to depreciation and an explanation of the departure is given in the note relating to tangible fixed assets below. A summary of the more important accounting policies is set out below.

BASIS OF ACCOUNTING

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain fixed assets.

BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The directors have concluded that, in accordance with Financial Reporting Standard 9 "Associates, joint ventures and other joint arrangements", the company's share of Artesian Property Partnership ("APP") should be reported as a "joint arrangement". This requires the company to report in its own financial statements its share of the profit and loss account, balance sheet and cash flows of APP. Financial statements of APP have been prepared and audited at 31 March 2004, from which the profit and loss account and balance sheet are set out in note 2. Intra-group sales and profits are eliminated on consolidation. The share of APP's consolidated results that has been recognised by the company is 15.76% (2003: 15.56%). That share is calculated by reference to the net asset values of all the partners of APP at 1 April 2003, reduced by the costs to the company of the 2003 buy back of shares and costs borne directly by the company. The share attributable to the company in the future may vary in line with any fluctuation in the proportion of entitlement that the company may undergo following future amounts returned to shareholders in the company and to the other APP partners.

The directors have taken advantage of the exemption in Section 229 (2) of the Companies Act 1985 and in FRS 2 from the requirement to prepare consolidated accounts in respect of the company and its dormant subsidiary, as the inclusion of that subsidiary is not material for the purpose of giving a true and fair view.

ACQUISITIONS

On the acquisition of a business, fair values are attributed to that business's net separable assets. The excess of the cost of the acquisition over those fair values is treated as purchased goodwill and capitalised in the year of acquisition.

The results and cash flows relating to acquired businesses are included in the profit and loss account and cash flows statement from the date of acquisition.

INTANGIBLE FIXED ASSETS

Capitalised goodwill is carried as an intangible fixed asset, and is amortised over its estimated useful life, which, for the agency and hotel businesses, is assumed to be between 10 and 20 years.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004

(continued)

TANGIBLE FIXED ASSETS**Investment property (see also note 10)**

In accordance with SSAP 19, the investment property portfolio of the company is revalued annually on a market value basis by appropriately qualified external valuers and by the executive directors. Any revaluation surplus or deficit arising is taken to the revaluation reserve except where the deficit is considered to be permanent. Permanent deficits are taken to the profit and loss account.

No depreciation or amortisation is provided in respect of freehold or leaseholds of over 50 years held as investment properties. The requirement of the Companies Act 1985 is to depreciate all properties, but that requirement conflicts with the generally accepted accounting principle set out in SSAP 19. The directors believe that, as these properties are not held for consumption but investment, to depreciate them would not give a true and fair view, and that it is necessary to adopt SSAP 19 in order to give a true and fair view. Depreciation is only one of the many factors reflected in the annual valuation, and the amount which might otherwise have been shown cannot be separately identified or quantified.

Investment properties are included at their full cost in the accounts once an irrevocable purchase contract has been entered into.

Investment properties are reported as sold at the date of exchange of a sale contract.

Assets in the course of construction are carried at cost which includes financing costs and own labour costs where relevant, and are reclassified as investment properties as soon as they are available for letting. All subsequent costs, including financing costs and own labour costs, are written off as they are incurred.

Tangible assets

The cost of tangible fixed assets is the purchase price, together with any incidental costs of acquisition.

Depreciation

Depreciation is calculated so as to write off the cost of tangible fixed assets (other than investment property), less their estimated residual values, on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are:

Freehold property	-	2%
Short leasehold property	-	over the life of the lease
Investment property fixtures, fittings and equipment	-	25%
Hotel fixtures, fittings and equipment	-	from 5% to 33%
Business centre fixtures, fittings and equipment	-	from 2% to 33%
Computer equipment	-	33%
Office fixtures, fittings and equipment	-	20%
Motor vehicles	-	20%

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004**

(continued)

TURNOVER

Turnover comprises investment property (including hotel and business centres) gross rental income receivable during the year, the sale of stock properties and estate agency fees, and was all derived from U.K. activities.

DEFERRED TAXATION

Deferred taxation is provided at the current rate on timing differences that have originated but not reversed by the balance sheet date. Deferred taxation is not provided on unrealised revaluation gains on investment properties, unless, by the balance sheet date, the company has entered into a binding agreement to sell the revalued property and has recognised the gains and losses expected to arise from the sale. Deferred tax assets are recognised to the extent that it is more likely than not that the assets will be recovered. Deferred tax assets and liabilities are not discounted.

STOCK PROPERTY

Properties carried as stock are valued at the lower of cost and net realisable value. Cost includes the purchase cost and associated acquisition costs, and, for development properties, building costs, financing costs and own labour costs.

Stock properties are reported as sold at the date of exchange of a sale contract, or, where later, when all material conditions relevant to that exchanged sale contract have been satisfied.

OPERATING LEASES

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

LEASING AND HIRE PURCHASE COMMITMENTS

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals payable under operating leases are charged against income on a straight line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2004

(continued)

2. ARTESIAN PROPERTY PARTNERSHIP

2.1 With effect from 1 April 1998, the company became a partner in Artesian Property Partnership ("APP"). The other partners are Artesian Challenger plc, Artesian Competitor plc, Artesian Performer plc, Artesian Performer II plc, Artesian Select plc, Artesian Select II plc, Artesian Developments plc and Artesian Developments II plc. M.R. Breen and A.P. Cunningham are directors of each of the partner companies and N.J.L. Welch is a director of each of the partner companies other than Artesian Developments plc and Artesian Developments II plc. The principal place of business of APP is 60 Webbs Road, London, SW11 6SE.

2.2. The audited profit and loss accounts of APP for the years ended 31 March are set out below:

	APP	APP	Share attributable to the company 15.76%	Share attributable to the company 15.56%
	2004	2003	2004	2003
	£	£	£	£
Turnover	15,578,779	34,547,009	2,455,216	5,375,515
Costs of sales	(8,440,496)	(23,884,611)	(1,330,222)	(3,716,446)
Gross profit	7,138,283	10,662,398	1,124,994	1,659,069
Net operating expenses	(5,978,535)	(6,774,610)	(942,216)	(1,054,129)
Operating profit	1,159,748	3,887,788	182,778	604,940
Profit on sale of investments	201,576	234,091	31,768	36,424
Investment income	127,270	244,583	20,058	38,057
Interest payable and similar charges	(1,674,376)	(769,134)	(263,882)	(119,677)
(Loss)/profit on ordinary activities before taxation	(185,782)	3,597,328	(29,278)	559,744
Tax on (loss)/profit on ordinary activities	(215,767)	41,778	(34,018)	6,553
(Loss)/profit on ordinary activities after taxation	(401,549)	3,639,106	(63,296)	566,297
Partner company drawings	46,997	(1,154,346)	4,636	(177,437)
Retained (loss)/profit	(354,552)	2,484,760	(58,660)	388,860

Partner company drawings are the share, borne directly by each company, of corporation tax arising on APP profits, corporate expenses born directly by each company and, for the year ended 31 March 2004, drawings for the acquisition of shares in Artesian Developments II plc (see note 11.1).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004

(continued)

2. ARTESIAN PROPERTY PARTNERSHIP (continued)

2.3 The audited balance sheets of APP at 31 March are set out below:

	APP	APP	Share attributable to the company 15.76%	Share attributable to the company 15.56%
	2004	2003	2004	2003
	£	£	£	£
Fixed assets:				
Intangible assets	3,287,031	3,496,374	518,034	544,036
Tangible fixed assets	4,259,440	4,056,280	671,289	631,157
Investment property	65,201,311	60,167,521	10,275,727	9,362,069
Investments	15,131	15,131	2,384	2,354
	<u>72,762,913</u>	<u>67,735,306</u>	<u>11,467,434</u>	<u>10,539,616</u>
Current assets:				
Stock property	264,398	4,471,749	41,669	695,804
Debtors	3,512,932	3,781,214	554,154	588,357
Cash	683,706	527,233	107,752	82,037
	<u>4,461,036</u>	<u>8,780,196</u>	<u>703,575</u>	<u>1,366,198</u>
Creditors: amounts falling due within one year	(32,989,189)	(23,781,171)	(5,201,245)	(3,697,900)
Net current liabilities	<u>(28,528,153)</u>	<u>(15,000,975)</u>	<u>(4,497,670)</u>	<u>(2,331,702)</u>
Total assets less current liabilities	<u>44,234,760</u>	<u>52,734,331</u>	<u>6,969,764</u>	<u>8,207,914</u>
Creditors: amounts falling due after more than one year	(3,299,108)	(11,995,704)	(519,939)	(1,866,532)
Net assets	<u><u>40,935,652</u></u>	<u><u>40,738,627</u></u>	<u><u>6,449,825</u></u>	<u><u>6,341,382</u></u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004

(continued)

2. ARTESIAN PROPERTY PARTNERSHIP (continued)

2.4 The analysis of turnover, operating profit and net assets of APP is as follows:

	Turnover		Operating profit		Net assets	
	2004	2003	2004	2003	2004	2003
	£	£	£	£	£	£
Class of business:						
Continuing operations:						
Rental	4,451,000	2,533,013			39,280,557	42,445,801
Trading	5,702,187	26,345,415			997,398	6,471,749
Estate agency	5,425,592	5,668,581			3,720,897	3,696,427
	<u>15,578,779</u>	<u>34,547,009</u>	<u>1,159,748</u>	<u>3,887,788</u>	<u>43,998,852</u>	<u>52,613,977</u>
Borrowings due after more than one year					(3,214,053)	(11,995,704)
Other fixed asset investment					150,853	120,354
					<u>40,935,652</u>	<u>40,738,627</u>

3 INVESTMENT INCOME

	2004	2003
	£	£
Other interest receivable and similar income	<u>20,058</u>	<u>38,057</u>

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2004

(continued)

4 INTEREST PAYABLE AND SIMILAR CHARGES	2004	2003
	£	£
Interest payable on bank loans and overdrafts	278,892	357,169
Less: capitalised in respect of assets in the course of construction (2003: and stock)	(17,796)	(237,492)
	<u>261,096</u>	<u>119,677</u>
Interest payable on finance leases and under hire purchase contracts	2,786	–
Total interest payable and similar charges	<u>263,882</u>	<u>119,677</u>

Interest costs relating to the financing of assets in the course of construction are capitalised at the cost of the related borrowings up to the date of completion of the project, when reclassified as investment property.

5 LOSS/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	2004	2003
This is stated after charging:-	£	£
Depreciation (notes 1 and 9)	198,719	109,413
Amortisation of goodwill	32,992	32,575
Operating lease rentals:-		
Other operating leases	142,176	125,478
Auditors' remuneration:-		
Audit services	13,751	11,670
Non-audit services	–	1,400
	<u> </u>	<u> </u>

6 EMPLOYEE INFORMATION	2004	2003
	£	£
6.1 Staff costs including directors' emoluments:-		
Wages and salaries	588,713	566,905
Social security costs	61,726	61,166
Other pension costs	3,944	5,083
	<u>654,383</u>	<u>633,154</u>
Less: capitalised in respect of assets in the course of construction (2003: and stock)	(14,746)	(23,324)
	<u>639,637</u>	<u>609,830</u>
6.2 Directors' remuneration comprises:-		
Directors' fees	26,802	26,398
	<u> </u>	<u> </u>
6.3 The average weekly number of employees of APP, including the company's directors, during the year was 127 (2003: 129), including 112 (2003: 110) in the agency business.		

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2004

(continued)

7 TAXATION

	2004 £	2004 £	2003 £	2003 £
Current year tax:				
U.K. corporation tax	—		67,196	
(Over)/under provision in prior year	(21,241)		4,361	
	<hr/>		<hr/>	
Total current tax		(21,241)		71,557
Deferred taxation (released)/provided		(11,311)		62,531
		<hr/>		<hr/>
Tax on (loss)/profit on ordinary activities		(32,552)		134,088
		<hr/>		<hr/>
Factors affecting the tax charge for this year				
(Loss)/profit on ordinary activities before taxation		(66,174)		522,948
		<hr/>		<hr/>
(Loss)/profit on ordinary activities before taxation multiplied by standard rate of UK corporation tax of 30.00% (2003: 30.00%)		(19,852)		156,884
Increased by:				
Depreciation and goodwill amortisation non-deductible		71,977		42,597
Other non-deductible costs		6,450		21,884
Tax losses not utilised		61,000		—
Under provision in prior years		—		4,361
and reduced by:				
Capital allowances		(78,780)		(60,098)
Capitalised interest		(1,126)		(11,780)
Tax losses utilised		(35,105)		(25,140)
Indexation relief on disposals		(3,223)		(8,891)
Benefit of small company corporation tax rate		—		(32,395)
Benefit of timing deferrals		(1,341)		(15,865)
Over provision in prior years		(21,241)		—
		<hr/>		<hr/>
Current tax charge for year		(21,241)		71,557
		<hr/>		<hr/>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004

(continued)

8 INTANGIBLE FIXED ASSETS

	Goodwill £
COST	
At 1 April 2003	626,426
Adjustment in share of APP	8,051
	<hr/>
At 31 March 2004	634,477
	<hr/>
 AMORTISATION	
At 1 April 2003	82,390
Adjustment in share of APP	1,061
Charge for the year	32,992
	<hr/>
At 31 March 2004	116,443
	<hr/>
 NET BOOK VALUE	
At 31 March 2004	518,034
	<hr/>
At 31 March 2003	544,036
	<hr/>

On the acquisition of a business, fair values are attributed to that business's net separable assets. The excess of the cost of the acquisition over those fair values is treated as purchased goodwill and capitalised in the year of acquisition. Goodwill is amortised over its estimated useful economic life, which, for the agency and hotel businesses, is assumed to be between 10 and 20 years.

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2004

(continued)

9 TANGIBLE FIXED ASSETS

	Fixtures, fittings and equipment:-					
	Freehold property £	Short leasehold property £	Investment property £	Office £	Motor vehicles £	TOTAL £
COST						
At 1 April 2003	30,711	56,210	668,459	99,534	23,846	878,760
Adjustment in share of APP	395	722	8,583	1,279	306	11,285
Additions	–	189	203,197	15,611	14,705	233,702
Disposals	–	–	(95,731)	(8,703)	(14,493)	(118,927)
At 31 March 2004	<u>31,106</u>	<u>57,121</u>	<u>784,508</u>	<u>107,721</u>	<u>24,364</u>	<u>1,004,820</u>
DEPRECIATION						
At 1 April 2003	4,754	18,182	147,057	61,498	16,112	247,603
Adjustment in share of APP	61	233	1,881	790	207	3,172
Charge for the year	350	6,010	169,957	17,759	4,643	198,719
Disposals	–	–	(95,366)	(8,703)	(11,894)	(115,963)
At 31 March 2004	<u>5,165</u>	<u>24,425</u>	<u>223,529</u>	<u>71,344</u>	<u>9,068</u>	<u>333,531</u>
NET BOOK VALUE						
At 31 March 2004	<u>25,941</u>	<u>32,696</u>	<u>560,979</u>	<u>36,377</u>	<u>15,296</u>	<u>671,289</u>
At 31 March 2003	<u>25,957</u>	<u>38,028</u>	<u>521,402</u>	<u>38,036</u>	<u>7,734</u>	<u>631,157</u>

Assets held under finance leases and hire purchase contracts originally cost £62,824 (2003: £76,203) and have net book values of £46,800 (2003: £53,180). Depreciation charged for the year was £15,548 (2003: £8,469).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004

(continued)

10 INVESTMENT PROPERTY

	Freehold property at cost £	Leasehold property at cost £	Total at cost £	Valuation surplus £	Total at valuation £
At 1 April 2003	3,218,265	4,194,836	7,413,101	749,145	8,162,246
Adjustment in share of APP	41,366	53,917	95,283	9,629	104,912
Additions	93,770	–	93,770	–	93,770
Reclassification as investment property	1,534,718	–	1,534,718	–	1,534,718
Reclassification as asset in course of construction	(1,042,824)	–	(1,042,824)	–	(1,042,824)
Disposals	(226,623)	–	(226,623)	–	(226,623)
Increase in valuation in the year	–	–	–	448,726	448,726
At 31 March 2004	<u>3,618,672</u>	<u>4,248,753</u>	<u>7,867,425</u>	<u>1,207,500</u>	<u>9,074,925</u>

ASSETS IN THE COURSE OF CONSTRUCTION - at cost

At 1 April 2003	1,199,823
Adjustment in share of APP	15,422
Reclassification as asset in course of construction	1,042,824
Additions	477,451
Reclassification as investment property	(1,534,718)
At 31 March 2004	<u>1,200,802</u>

TOTAL

At 31 March 2004	<u>10,275,727</u>
At 31 March 2003	<u>9,362,069</u>

Should the above revalued properties be sold at those revalued amounts, a taxation liability of £196,885 would arise, for which no provision has been made as set out in note 16.

Investment property and assets in the course of construction include the following capitalised costs:

	Interest £	Own labour £
At 1 April 2003	286,493	29,376
Adjustment in share of APP	3,682	378
Capitalised in the year	17,796	14,746
Disposals	(12,813)	(2,157)
At 31 March 2004	<u>295,158</u>	<u>42,343</u>

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2004

(continued)

10 INVESTMENT PROPERTY (continued)

The investment properties, excluding assets in the course of construction, have been stated at market value at 31 March 2004 of £9,074,925 as valued by:

- Messrs. Donaldsons, Chartered Surveyors, for properties of APP valued in total at £15,022,500, of which the company's share is £2,367,546;
- Messrs. Bidwells, Chartered Surveyors, for one property of APP valued at £1,705,000, of which the company's share is £268,708;
- Messrs. Knight Frank, Chartered Surveyors, for one property of APP valued at £3,550,000, of which the company's share is £559,480; and
- The company's directors for properties of APP, including those acquired during the year, of, in total £37,304,522, of which the company's share is £5,879,191.

The valuations were on the basis of 'market value' as defined in Practice Statement 3.2 of the RICS Appraisal and Valuation Standards.

11 INVESTMENTS: fixed assets

	2004 £	2003 £
Unlisted investments:		
Subsidiary undertaking; ordinary shares at cost		
At 1 April and 31 March	21	21
	<u>21</u>	<u>21</u>
Other investments; ordinary shares at cost		
At 1 April	2,333	2,305
Adjustment in share of APP	30	28
Additions	325,039	552,000
Disposals	(300,000)	(552,000)
At 31 March	27,402	2,333
	<u>27,402</u>	<u>2,333</u>
Total investments	27,423	2,354
	<u>27,423</u>	<u>2,354</u>

11.1 ACQUISITIONS

During the year the company subscribed £300,000 for shares in Artesian Buy Back 2003 Limited, which was placed in members' voluntary liquidation prior to the year end.

During the year the company acquired, at a cost of £25,039, 21,854 Ordinary shares of 50p each in Artesian Developments II plc of which M.R. Breen and A.P. Cunningham are directors.

11.2 SUBSIDIARY UNDERTAKING

The company owns the whole of the issued share capital of £2 of Speed 6835 Limited, a dormant company incorporated in Great Britain.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004

(continued)

12 STOCK PROPERTY

	2004	2003
	£	£
Trading property	41,669	695,804

Stock property includes the following capitalised costs:

	Interest	Own labour
	£	£
At 1 April 2003	68,807	4,110
Adjustment in share of APP	884	53
Released on disposal	(69,691)	(4,163)
At 31 March 2004	—	—

13 DEBTORS

	2004	2003
	£	£
Amounts falling due after more than one year:		
Other debtors	30,466	22,294
Amounts falling due within one year:		
Trade debtors	157,778	439,898
Amounts due from APP partners	515	—
Corporation tax	30,262	—
Other debtors	99,100	70,819
Prepayments and accrued income	236,033	55,346
	523,688	566,063
Total debtors	554,154	588,357

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2004

(continued)

14 CREDITORS: amounts falling due within one year

	2004	2003
	£	£
Bank loans and overdrafts	4,561,971	2,980,041
Net obligations under finance leases and hire purchase contracts	21,858	15,762
Trade creditors	63,656	42,498
Amounts due to APP partners	–	11,838
Corporation tax	–	71,916
Taxation and social security	73,806	62,254
Other creditors	235,982	254,934
Accruals	113,079	118,257
Total creditors	<u>5,070,352</u>	<u>3,557,500</u>

The bank loans of APP are secured, denominated in sterling and the interest thereon is linked to either three month LIBOR or bank base rate. The bank loans are secured by fixed charges on various investment properties and assets in the course of construction.

15 CREDITORS: amounts falling due after more than one year

	2004	2003
	£	£
Bank loans repayable other than by instalment:		
Between one year and two years	48,264	56,881
Between two years and five years	175,905	1,781,905
Over five years	282,366	–
	<u>506,535</u>	<u>1,838,786</u>
Net obligations under finance leases and hire purchase contracts		
Between one year and two years	11,637	27,746
Between two years and five years	1,767	–
	<u>13,404</u>	<u>27,746</u>
Total creditors	<u>519,939</u>	<u>1,866,532</u>

The bank loans of APP are secured, denominated in sterling and the interest thereon is linked to bank base rate. The bank loans are secured by fixed charges on various investment properties and properties in the course of construction.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004

(continued)

16 PROVISION FOR LIABILITIES AND CHARGES
DEFERRED TAX

	2004 £	2003 £
At 1 April	140,400	77,592
Adjustment in share of APP	1,804	277
(Released)/provided in the year on timing differences	(11,311)	62,531
At 31 March	<u>130,893</u>	<u>140,400</u>

In accordance with FRS 19, no deferred tax has been provided on the unrealised revaluation gains on investment properties. The taxation that would arise if the revalued properties were sold at their revalued amounts would be £196,885 (2003: £125,441).

17 SHARE CAPITAL

	2004 £	2003 £
Authorised:-		
100 Founders' shares of 50p each	50	50
5,999,900 Ordinary shares of 50p each	2,999,950	2,999,950
	<u>3,000,000</u>	<u>3,000,000</u>

	2004 Number of shares	2003 Number of shares	2004 £	2003 £
Allotted, called up and fully paid:-				
Founders' shares of 50p each	100	100	50	50
Ordinary shares of 50p each				
At 1 April	3,687,399	3,987,149	1,843,699	1,993,574
Cancelled on share buy back during the year	(189,725)	(299,750)	(94,863)	(149,875)
At 31 March	<u>3,497,674</u>	<u>3,687,399</u>	<u>1,748,836</u>	<u>1,843,699</u>
Total share capital	<u>3,497,774</u>	<u>3,687,499</u>	<u>1,748,886</u>	<u>1,843,749</u>

NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 31 MARCH 2004

(continued)

18 SHARE PREMIUM ACCOUNT AND RESERVES

	Share premium account £	Capital redemption reserve £	Revaluation reserve £	Profit and loss account £
At 1 April 2003	1,592,821	1,332,437	749,145	823,230
Adjustment in share of APP	–	–	9,629	(9,629)
Cancellation of shares on 2003 buy back and costs	(81,954)	176,817	–	(281,622)
Revaluation surplus on investment properties	–	–	448,726	–
Retained loss for the year	–	–	–	(33,622)
At 31 March 2004	<u>1,510,867</u>	<u>1,509,254</u>	<u>1,207,500</u>	<u>498,357</u>

19 RECONCILIATION OF EQUITY SHAREHOLDERS' FUNDS

	2004 £	2003 £
Shareholders' funds at 1 April	6,341,382	6,166,086
Cancellation of shares on buy back	(281,622)	(418,743)
(Loss)/profit for the year	(33,622)	388,860
Other recognised gains relating to the year	448,726	205,179
Shareholders' funds at 31 March	<u>6,474,864</u>	<u>6,341,382</u>

**20 RECONCILIATION OF OPERATING PROFIT TO
NET CASH FLOW FROM OPERATING ACTIVITIES**

	2004 £	2003 £
Operating profit before taxation	145,882	568,144
Depreciation and amortisation	231,711	141,988
Decrease in debtors	64,980	503,899
Decrease in stock	654,135	2,187,788
(Decrease)/increase in creditors	(75,993)	53,561
Net cash flow from operating activities	<u>1,020,715</u>	<u>3,455,380</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004

(continued)

21 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2004 £	2003 £
Increase/(decrease) in cash	24,661	(69,835)
(Increase)/decrease in debt due within one year	(131,009)	1,657,350
Decrease in debt due after one year	69,802	619,344
Changes in net debt	(36,546)	2,206,859
Non-cash changes	(179,172)	(82,155)
Opening net debt	(4,780,298)	(6,905,002)
Closing net debt	(4,996,016)	(4,780,298)

22 ANALYSIS OF CHANGES IN NET DEBT

	Net debt at 1 April 2003 £	Cash flow £	Non- cash changes £	Net debt at 31 March 2004 £
Cash at bank	82,037	24,661	1,054	107,752
Debt due within one year	(2,995,803)	(131,009)	(1,457,017)	(4,583,829)
Debt due after one year	(1,866,532)	69,802	1,276,791	(519,939)
Net debt at 31 March	(4,780,298)	(36,546)	(179,172)	(4,996,016)

The non-cash changes include the differences between the composition of the company's share of APP's net assets at 1 April 2003 and the composition of those attributed to the company by APP following the 2003 buy back of shares.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2004

(continued)

23 DIRECTORS' INTEREST IN CONTRACTS

- 23.1 M.R. Breen has an interest in Epicwork Limited which provided property services to the value of £34,104 (2003: £34,102) including VAT to the company, and £56,972 (2003: £72,354) to APP. Epicwork also charged for the services of R.C. Breen to the agency business, for which the company's share was £2,363 (2003: £2,334). At 31 March 2004 there was a balance of £2,776 due to that company (2003: £10,972).
- 23.2 N.J.L. Welch has an interest in G&W Projects Limited, which provided project management and surveying services to APP for which the company's share was £12,393 (2003: £17,396), and was reimbursed for costs incurred for APP, for which the company's share was £75 (2003: £2,563). At 31 March 2004 there was no balance due to that company (2003: £nil).

24 CAPITAL COMMITMENTS AND GUARANTEES

- 24.1 There is future capital expenditure contracted by APP but not provided for relating to property construction and refurbishment of £2,641.
- 24.2 The company's share of annual payments due by APP under non-cancellable operating leases is as follows:

	Land and buildings 2004 £	2003 £	Other 2004 £	2003 £
Expiry date:				
Within one year	—	5,913	3,535	7,567
Between two and five years	9,377	10,962	27,097	22,373
In over five years	118,360	100,611	—	—
	<u>127,737</u>	<u>117,486</u>	<u>30,632</u>	<u>29,940</u>

- 24.3 APP has guaranteed various operating lease payments by a tenant. The company's share of annual payments due under those non-cancellable operating leases is as follows:

	2004 £	2003 £
Expiry date:		
Within one year	2,836	3,808
Between two and five years	—	15,579
	<u>2,836</u>	<u>19,387</u>

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Artesian Developer plc (the Company) will be held at:-

The East India Club,
16, St. James Square,
London, SW1

at 11.00 am on 16 September 2004, for the transaction of the following business:-

To read the notice convening the meeting.

To note the presentation of proxies.

To approve the following resolutions, all of which will be proposed as Ordinary Resolutions:-

- 1 To receive and adopt the directors' report and financial statements for the year ended 31 March 2004.
- 2 To re-elect M.R. Breen as a director of the Company.
- 3 That PricewaterhouseCoopers LLP be reappointed auditors of the Company, to hold office until the conclusion of the next annual general meeting at which accounts are laid before the Company and that their remuneration be fixed by the directors.

To approve the following resolution, which will be proposed as a Special Resolution:

- 4 That the proposed subscription by the Company of up to £493,000 for up to 493,000 ordinary shares of £1 each in Artesian Buy Back 2004 Limited (as described in the letter to shareholders dated 14 July 2004 (the Letter)) be and is hereby approved and that the directors of the company (or a duly constituted committee thereof) be and are hereby authorised to do all such things as they may consider to be necessary or desirable to implement the subscription on the terms described in the Letter and on such amended terms (not being amendments of a material nature) as they may approve.

A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and on a poll vote instead of him/her. A proxy need not be a member of the Company. A Form of Proxy is enclosed.

The Register of directors' shareholdings will be available for inspection during the meeting.

By order of the board,

Dated 14 July 2004

D.J.T. MacDonald
Joint Company Secretary

Registered Office:
40, Queen Anne Street,
London, W1G 9EL

ARTESIAN DEVELOPER plc

For use by the holders of ordinary shares

FORM OF PROXY

I

(IN BLOCK CAPITALS PLEASE)

of
being a member of Artesian Developer plc hereby appoint M. R. Breen or, failing him, A. P. Cunningham both directors of the Company, or as my proxy to vote for me and on my behalf at the Annual General Meeting of the Company to be held on 16 September 2004, and at every adjournment thereof.

Dated 2004

Signature

ORDINARY RESOLUTIONS	FOR	AGAINST
1 Adoption of the report of the directors, report of the auditors and the accounts for the year ended 31 March 2004.		
2 To re-elect M.R. Breen as a director of the Company.		
3 That PricewaterhouseCoopers LLP be reappointed auditors of the Company, to hold office until the conclusion of the next annual general meeting at which accounts are laid before the Company and that their remuneration be fixed by the directors.		

SPECIAL RESOLUTION	FOR	AGAINST
4 That the proposed subscription by the Company of up to £493,000 for up to 493,000 ordinary shares of £1 each in Artesian Buy Back 2004 Limited (as described in the letter to shareholders dated 14 July 2004 (the Letter)) be and is hereby approved and that the directors of the company (or a duly constituted committee thereof) be and are hereby authorised to do all such things as they may consider to be necessary or desirable to implement the subscription on the terms described in the Letter and on such amended terms (not being amendments of a material nature) as they may approve.		

Notes

- 1 To be valid this proxy form, duly completed, must be lodged at 60 Webbs Road, London SW11 6SE not later than 48 hours before the Meeting.
- 2 In the case of joint holders the signature of the senior holder will be accepted.
- 3 If any other proxy be preferred strike out the names above and substitute the name(s) of the proxy or proxies in the space provided.
- 4 A proxy holder need not be a member of the company.
- 5 The completion and return of the form of proxy will not preclude ordinary shareholders attending and voting at the Meeting should they decide to do so.

